



itm
Solution delivered...

GMP rectification – Final results for the Kent Pension Fund

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What you wanted to achieve

We have been undertaking a GMP rectification project for the Kent Pension Fund. Following the dry run that we completed in June 2023 and subsequent analysis, we have now completed the live benefit rectification calculations.

This report summarises the impact of changing GMP values for your membership, and the calculation results that have been provided alongside this report.

This report provides you with:

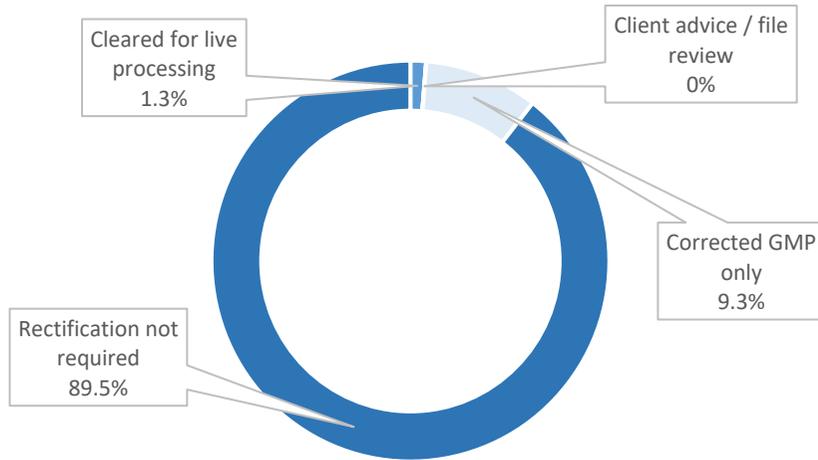
- ✓ Results of our analysis and calculations
 - + We've adopted HMRC's GMP where appropriate and recalculated benefits to the rectification date
 - + Our calculations have resulted in both under and overpayments
 - + We've summarised the results



Our key findings

We have applied corrected GMP values to all members where HMRC values were accepted or agreed with in the earlier reconciliation phase of GMP work. We then calculated the impact of this on members' benefits to create the results in this report. In total we used our calculation tool to analyse the pension data for 20,620 pensioners and 2,819 dependant members. Around 10% of the population reviewed required a correction.

1.3% of the total population have been fully rectified



- ✓ 296 members have had benefits recalculated (band 4)
- ✓ 2,171 members have corrected GMP only (band 3)
- ✓ 20,968 members did not require rectification (band 1 and 3)
- ✗ 4 members will need to be corrected manually as part of BAU (BAU)

Population

We defined our opening population of 23,439 pensioners over GMP payment age and dependant members as where one of the following conditions was met:

- + A decision was made for the case to accept HMRC's contracted out record and associated GMP.
- + The case had an exact match or within tolerance result in the GMP reconciliation/comparison projects. In general we would expect these members not to require rectification, however including them ensures any material changes since the original work (e.g. a member having changed status), or discrepancies between admin and payroll, are reassessed against the reconciliation conclusion.

Any pensioners and dependants where the admin position was accepted in the reconciliation work were excluded.

Rectification not required (bands 1 and 2)

Out of the 23,439 members analysed, 20,968 were determined to not require rectification as they fell into one of the following categories:

- + *Band 1*: either,
 - For a dependant, no difference was found at the WGMP becoming due on the original member's date of death (DOD)
 - For a pensioner, state pension age (SPA) was before the payroll extract date, and no difference was found at the GMP due date
 - For a pensioner, SPA was after the payroll extract date (GMP is therefore not yet in payment), the case was an exact match or within tolerance in the reconciliation work, and no new discrepancy was found
 - Cases where following a file review it was determined that the member was out of scope either because the admin GMP was accepted, or the member was deceased with no surviving spouse
- + *Band 2*: there is a difference between the scheme and HMRC GMP at GMP payment date (SPA/DOD), however it is within the £2 p/w tolerance level advised by HM Treasury in its easement guidance for public service pension schemes

Corrected GMP only (band 3)

There are 2,171 members where full rectification is not required, but corrected GMP will be provided:

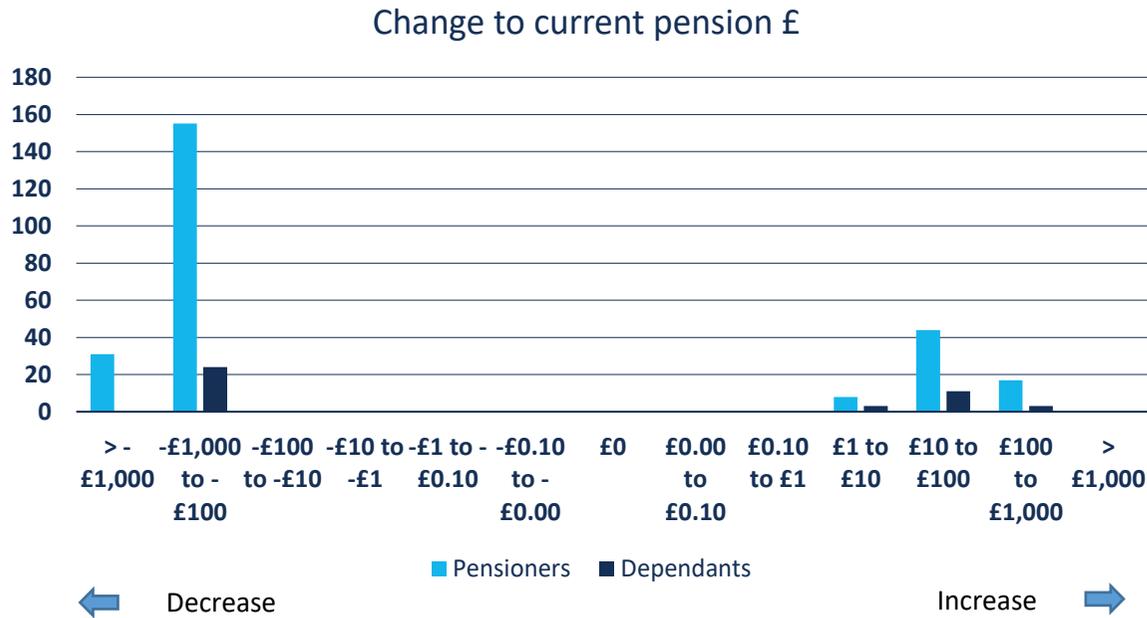
Category	Pensioners over GMP age	Dependants
SPA after payroll extract date	38	0
SPA after rectification date	308	0
SPA/DOD before rectification date but after April 2016	1,475	61
Retranche only as under trivial threshold	208	65
Retranche only to correct GMP on Altair	15	1
Total	2,044	127

- + *SPA after payroll extract date*: pensioners where HMRC was accepted in the reconciliation, their state pension age (SPA) is after the payroll extract date, and there is no GPD excess delta (i.e. the unrectified basic pension covers the rectified GMP at GMP age). Since the GMP is not yet in effect, full rectification is not applicable, however the GMP/excess split should be corrected.
- + *SPA after rectification date*: as above, but where SPA is also after the rectification date.
- + *SPA/DOD before rectification date but after April 2016*: where state pension age (pensioner) or date of death (dependant) is before the rectification date, a full correction would be due, but the case falls under the interim solution for GMP equalisation for public sector schemes, i.e. full Pensions Increase (PI) is due to the GMP in payment.
- + *Retranche only as under trivial threshold*: where the annual change to pension is below the trivial threshold of £120 per annum (overpayments only)
- + *Retranche only to correct GMP on Altair*: other cases where the GMP requires correction, but full rectification is not required

Members with recalculated benefits (band 4)

In total we used our calculation tool to recalculate the pensions for 255 pensioners and 41 dependants under band 4

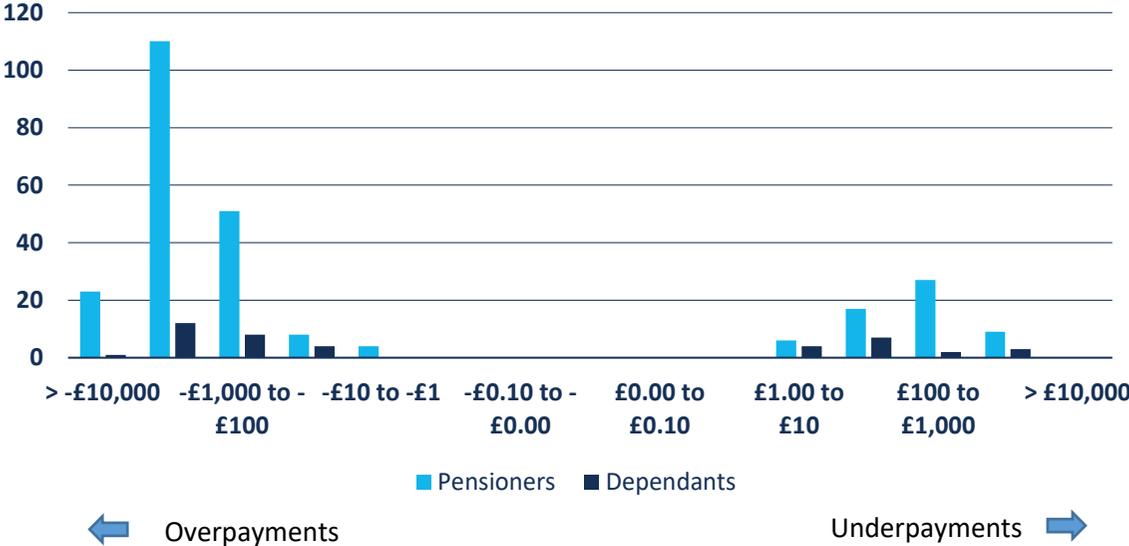
The final results are shown in the graphs below and show the change to the current pension as a result of accepting HMRC's GMP figure as correct.



	PENSIONERS	DEPENDANTS	%
> -£1,000	31	0	6%
-£1,000 TO -£100	155	24	35.5%
-£100 TO -£10	0	0	41%
-£10 TO -£1.01	0	0	3%
-£1.00 TO -£0.11	0	0	0%
-£0.01 TO -£0.10	0	0	0%
£0.00	0	0	0.5%
£0.01 TO £0.10	0	0	0%
£0.11 TO £1.00	0	0	0%
£1.01 TO £10	8	3	1.5%
£10 TO £100	44	11	9.5%
£100 TO £1,000	17	3	3%
> £1,000	0	0	0%
TOTAL	255	41	100%

The results below show the spread of total historical underpayments and overpayments, with positive numbers showing underpayments and negative numbers representing overpayments.

Historical under and overpayment



	PENSIONERS	DEPENDANTS
> -£10,000	23	1
-£10,000 TO -£1,000	110	12
-£1,000 TO -£100	51	8
-£100 TO -£10	8	4
-£10 TO -£1.01	4	0
-£1.00 TO -£0.11	0	0
-£0.01 TO -£0.10	0	0
£0.00	0	0
£0.01 TO £0.10	0	0
£0.11 TO £1.00	0	0
£1.01 TO £10	6	4
£10 TO £100	17	7
£100 TO £1,000	27	2
£1,000 TO £10,000	9	3
> £10,000	0	0
TOTAL	255	41

Summary of pensioner adjustments

The table below details the total aggregate over/underpayments for the 255 pensioners where we have recalculated benefits.

		Change to current pension £pa	Change to current pension %	Historical underpayment/ overpayment £
Underpayment	Total	£6,009		£38,795
	Number of members	69	69	59
	Average	£87	2.65%	£658
	Maximum	£955	20.01%	£6,587
No change	Number of members	0	0	0
Overpayment	Total	-£106,768		-£770,837
	Number of members	186	186	196
	Average	-£574	-6.15%	-£3,933
	Maximum	-£2,385	-32.86%	-£22,832

Summary of dependant adjustments

The table below details the total aggregate over/underpayments for the 41 dependants where we have recalculated benefits.

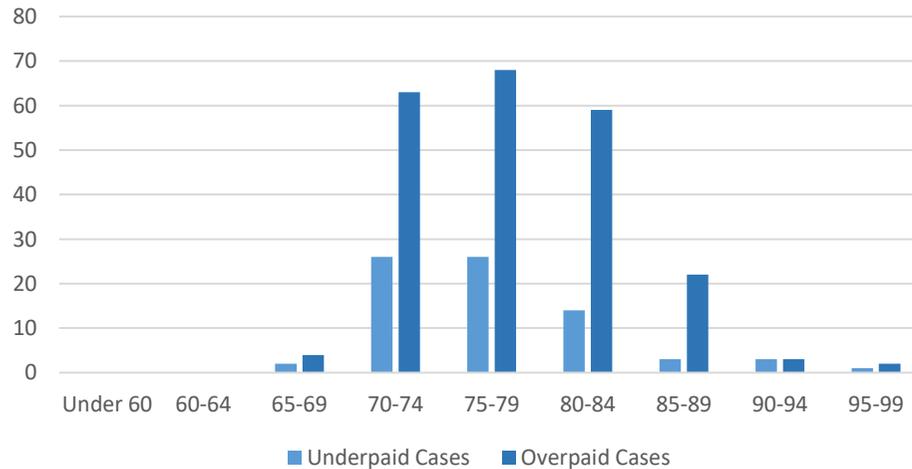
		Change to current pension £pa	Change to current pension %	Historical underpayment/ overpayment £
Underpayment	Total	£1,045		£6,934
	Number of members	17	17	16
	Average	£61	2.51%	£433
	Maximum	£395	20.59%	£4,014
No change	Number of members	0	0	0
Overpayment	Total	-£6,690		-£49,682
	Number of members	24	24	25
	Average	-£279	-8.32%	-£1,987
	Maximum	-£787	-33.12%	-£11,705

Age Bandings

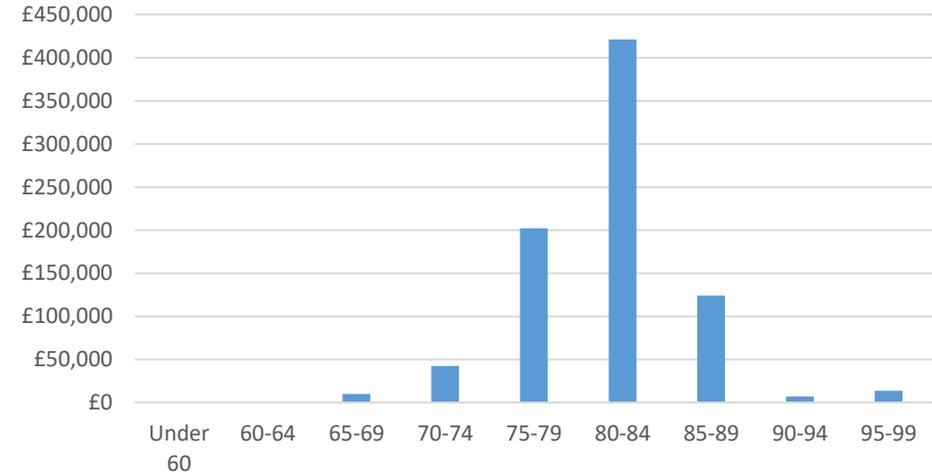
The table and graphs below show the total population of pensioners and dependants broken down into age bandings.

Age Banding	Underpaid cases	Total pension increase	Overpaid cases	Total pension reduction
Under 60	0	£0	0	£0
60-64	0	£0	0	£0
65-69	2	£2,048	4	£10,057
70-74	26	£4,244	63	£42,570
75-79	26	£12,374	68	£202,031
80-84	14	£17,506	59	£421,079
85-89	3	£5,142	22	£124,185
90-94	3	£1,293	3	£6,898
95-99	1	£3,121	2	£13,699
Total	75	£45,728	221	£820,520

Population



Total pension reductions



Final decisions for live processing

Following the dry run, the following decisions were confirmed by the Fund and were used in the live calculations. They are detailed on the GMP Rectification Decision Log:

Decision		Comments/Action		
D1	Is it acceptable that members who are 'no liability' are entirely excluded (and hence treated as if they are also in Band 1)?	→	No liability members to be excluded.	✓
D2	Is it acceptable to apply the easement and remove these members from the population that are submitted for rectification processing?	→	Easement guidance to be applied.	✓
D3	Is it acceptable to operate a trivial threshold?	→	Trivial threshold of £120 per annum for overpayment cases.	✓
D4	Is a trivial threshold for underpaid members acceptable?	→	No trivial threshold for underpayment cases.	✓
D5	Is it acceptable to not attempt to take account of the impact of incorrect GMP on a deceased member's pension, and hence on the dependant's initial pension level, for the reasons set out in column D?	→	The impact of incorrect GMP on a deceased member's pension and hence on the dependant's initial pension level, will not be taken account of during rectification.	✓
D6	Will underpaid pensions in payment be corrected? If so, how?	→	All underpaid members will have their pension increased to the correct level.	✓
D7	Will historic underpayments be paid to members?	→	All historic underpayments due to members will be paid as a single arrears payment.	✓
D8	Will interest be applied to historic underpayments?	→	Interest will be applied in line with LGPS regulations.	✓

D9	Will overpaid pensions in payment be corrected? If so, how?	→	All members being overpaid will have their pensions reduced to the correct amount, unless they are within the trivial threshold of £120.	✓
D10	Will historic overpayments be clawed back, and will interest be applied? (This includes potential 'edge cases' where the effect of the rectified GMP changes over time, leading to a historic overpayment but increase in current pension.)	→	Historic overpayments will not be recovered, in line with other public sector clients.	✓
D11	What is the correction date for underpaid pensioners?	→	Rectification date is 30/09/2023, with corrections to be paid in the October payroll.	✓
D12	What is the correction date for overpaid pensioners?	→	Rectification date is 30/09/2023, with corrections to be paid in the October payroll.	✓
D13	What data fields are needed for member communications?	→	ITM have provided an example output with this report; Kent have confirmed no additional fields are required.	✓
D14	How should members who reach SPA during live processing be treated?	→	ITM would process these members as being under SPA. Checks that the correct GMP was brought into payment at SPA will need to be done under business as usual by the administration team.	✓
D15	How should members whose death is notified to the administration team during live processing be treated?	→	ITM to calculate all members and the administration team will review any cases where they have been notified of a death.	✓
D16	Cut off date for interest rate changes	→	Any changes to the Bank of England base rate from 01/07/2023 won't be	✓

			incorporated into the live run underpayment calculations.	
D17	Is a new payroll element required to record the arrears payment?	→	Element for arrears to be paid under - 054	✓

Outputs provided

Altair interface files

The following files were provided for updating members on Altair.

File Name	Description	Members included
Kent LGPS Altair GMP Details Extract	Altair interface file for updating the reconciled GMP at GPD or DOD	<ul style="list-style-type: none">• Pensioners being fully rectified from GPD• Dependants being fully rectified from DOD• Cases under the trivial threshold• Full indexation cases where our rectification tools show a difference outside the HM Treasury easement tolerance (i.e. cases that would be fully rectified, were full indexation not apply)• Pensioners over GPD but under SPA in the latest member extract, where HMRC was accepted in the reconciliation
Kent LGPS Altair Current GMP Extract	Altair interface file for updating the reconciled GMP at Current Date (rectification date)	<ul style="list-style-type: none">• Pensioners being fully rectified from GPD• Dependants being fully rectified from DOD• Cases under the trivial threshold• Full indexation cases where our rectification tools show a difference outside the HM Treasury easement tolerance (i.e. cases that would be fully rectified, were full indexation not apply)
Kent LGPS Altair GMP Rectification Extract	Altair interface file for updating the pension and payroll elements	<ul style="list-style-type: none">• Pensioners being fully rectified from GPD• Dependants being fully rectified from DOD

Results files

Additional files were provided to provide the full results and assist with communications.

File Name	Description	Members included
Kent LGPS Merge Fields for Letters	File including the fields for communications	As per the Altair GMP Rectification Extract file, cases split as described in the Summary tab.
Kent LGPS Rectification Details	Live run rectification results per member	As per the Altair GMP Details Extract file. For pensioners under SPA, the current rectified values will be the at SPD HMRC figures.
Kent LGPS Rectification Audit Trail	Rectification position for each member following live run	Listing of every pensioner above GPD and dependant record, showing the reconciliation and rectification results
Kent LGPS Extreme Cases	Outlier cases that you may wish to review	Cases where we did not have any specific data queries following the live run analysis, however the rectification calculation has led to a big change. We advise you review these to confirm if any should be taken out of the live run. Outliers already reviewed following the dry run have not been included in the live run file.
Kent LGPS Client Advice	Client advice following live run analysis	Cases that we cannot process in the rectification project and will need to be corrected under BAU.
Altair Reconciliation and Rectification Interface Guidance v2.2	Additional guidance in respect of the Altair data extracts we provide for GMP reconciliation and rectification	N/A

Appendix A – Calculation method and bandings

Our standard rectification method for pensioners over GMP age and dependants involves the following steps:

- + The pension elements currently in payment are 'rolled-back' (reversing the pension increases) to GMP payment date for pensioners and original member's date of death (DOD) for dependants.
- + A check is performed to ensure that the pension payable from GMP payment date through to state pension age (SPA) is at least equal to GMP.
- + The HMRC GMP is brought into payment from SPA and the excess is adjusted as necessary.
- + The reconciled GMP and the adjustment to the excess are 'rolled-forward' (re-applying the pension increases) to the current date.
- + The corrected current pension and any historic underpayment or overpayment arising between the GMP payment date and the present date are determined.

Each member rectified will fall into one of four bandings:

- + Band 1 – No rectification required
- + Band 2 – HM Treasury easement for within £2 p/w at SPA/DOD
- + Band 3 – No change to total pension in payment, change to GMP/excess split only
- + Band 4 – Standard correction from GMP age/DOD